

104TH CONGRESS
1ST SESSION

S. 657

To amend the Internal Revenue Code of 1986 to repeal the 1993 Federal income tax rate increases on trusts established for the benefit of individuals with disabilities or for college education costs of a beneficiary.

IN THE SENATE OF THE UNITED STATES

MARCH 31 (legislative day, MARCH 27), 1995

Mr. DOMENICI introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to repeal the 1993 Federal income tax rate increases on trusts established for the benefit of individuals with disabilities or for college education costs of a beneficiary.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Persons With Disabil-
5 ities Trusts Tax Rate Restoration Act”.

1 **SEC. 2. REPEAL OF 1993 RATE INCREASES ON TRUSTS FOR**
 2 **INDIVIDUALS WHO ARE DISABLED OR FOR**
 3 **COLLEGE EDUCATIONS.**

4 (a) IN GENERAL.—Section 1(e) of the Internal Rev-
 5 enue Code of 1986 (relating to tax imposed on estates and
 6 trusts) is amended to read as follows:

7 “(e) ESTATES AND TRUSTS.—

8 “(1) IN GENERAL.—Except as provided in para-
 9 graph (2), there is hereby imposed on the taxable in-
 10 come of—

11 “(A) every estate, and

12 “(B) every trust,

13 taxable under this subsection a tax determined in ac-
 14 cordance with the following table:

“If taxable income is:	The tax is:
Not over \$1,500	15% of taxable income.
Over \$1,500 but not over \$3,500 ..	\$225, plus 28% of the excess over \$1,500.
Over \$3,500 but not over \$5,500 ..	\$785, plus 31% of the excess over \$3,500.
Over \$5,500 but not over \$7,500 ..	\$1,405, plus 36% of the excess over \$5,500.
Over \$7,500	\$2,125, plus 39.6% of the excess over \$7,500.

15 “(2) SPECIAL RULE FOR CERTAIN TRUSTS.—

16 “(A) IN GENERAL.—There is hereby im-
 17 posed on the taxable income of an eligible trust
 18 taxable under this subsection a tax determined
 19 in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$3,300	15% of taxable income.

“If taxable income is:

Over \$3,300 but not over \$9,900 ..
 Over \$9,900

The tax is:

\$495, plus 28% of the excess over
 \$3,300.
 \$2,343, plus 31% of the excess over
 \$9,900.

1 “(B) ELIGIBLE TRUST.—For purposes of
 2 subparagraph (A), the term ‘eligible trust’
 3 means a trust which is established exclusively
 4 for the purpose of providing reasonable
 5 amounts for—

6 (i) the support and maintenance of 1
 7 or more beneficiaries each of whom is an
 8 individual who is mentally ill or has a dis-
 9 ability (within the meaning of section 3(2)
 10 of the Americans With Disabilities Act of
 11 1990 (42 U.S.C. 12102(2)) at the time the
 12 trust is established,

13 (ii) the support and maintenance of 1
 14 or more beneficiaries each of whom is
 15 under 21 years of age and whose custodial
 16 parent or parents are deceased, or

17 (iii) the payment of qualified higher
 18 education expenses (as defined in section
 19 135(c)(2)) of the grantor’s children or
 20 grandchildren.

21 A trust shall not fail to meet the requirements
 22 of this subparagraph merely because the corpus
 23 of the trust may revert to the grantor or a

1 member of the grantor's family upon the death
2 of the beneficiary.”

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 1994.

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